

# Chapter 8. Conclusion: Gaps and Barriers in Coverage, and Implications for Policy

In this chapter we briefly recount some of the main findings of Research Deliverable 3.1 regarding the characteristics of the uninsured, and identify some main “lessons” for the design of policies that aim to fill remaining gaps in the insurance system in order to reduce the number of uninsured.

## Gaps and Barriers

*The uninsured are found in all income groups, among all racial/ethnic groups, among the young and old, and in all areas of the state. Yet several characteristics of the uninsured are important for designing policy solutions.*

- They are primarily low-income. More than two-thirds are in families with income at or below 200 percent of the federal poverty level (FPL), accounting for 308,000 uninsured people. And these individuals are more than twice as likely to be uninsured as those above 200 percent FPL. This is consistent with our analysis of income adequacy, which indicates that families that can meet their basic living expenses and have enough money left over to pay for out-of-pocket health care costs frequently have incomes higher than 200 percent FPL. Below 200 percent FPL, families often do not have enough resources to pay for insurance.
- The majority (53 percent) of the uninsured are adults without children.
- Children account for 25 percent of the uninsured. The uninsured rate for children is lower than for adults as a result of recent public efforts to cover children, but 116,000 children still lack coverage. The overwhelming majority of these children also have uninsured parents.
- Most uninsured people (75 percent, or 365,000) are workers or their dependents. However, there is substantial diversity in the work situation of these individuals. Over three-quarters of this group do not have access to employer-sponsored coverage, about 31 percent work for an employer that does not offer coverage, and about 46 percent are self-employed. Families whose employer-based option is at small group rates must generally have incomes greater than 250 percent FPL—in some cases, more than 300 percent FPL—to purchase this coverage and still meet their basic living expenses.

These coverage gaps suggest that policies to reach the uninsured population must overcome a number of barriers.

- Affordability of coverage is likely to be the foremost problem given that the uninsured are concentrated among low-income individuals. The analysis of affordability confirms it is a significant barrier: more than 50 percent of uninsured adults lack access to affordable coverage.
- Many who lack access to affordable private coverage do not qualify for public programs. Childless adults are especially at risk, given public program eligibility rules.
- When families without dependents have enough income to cover basic living expenses, they are not eligible for Medicaid. In two of the counties we examined, families with two adults and no dependents are also not eligible for Basic Health if they have incomes high enough to meet their basic

living expenses. Conversely, most families with dependents would be eligible for Basic Health, even with incomes high enough to meet their basic living expenses. Many of them are also eligible for Medicaid.

- Lack of full participation in public programs by those eligible suggests that not all barriers may be financial. Almost 20 percent of adults and more than 10 percent of children eligible for public programs are uninsured. Lack of knowledge of programs and their eligibility rules may be among the non-financial barriers.
- Lack of availability of family coverage may be a barrier to achieving a goal of insuring all children.

## Policy Implications and Challenges

*Most policy options to expand insurance that are under serious consideration by states or at the federal level are incremental in nature and can be classified in one of four major groups: options to build on the employer-based insurance system; policies to expand the voluntary purchase of individual coverage; public coverage expansions; and proposals that are aimed at specific population groups or at populations with specific needs—such as the uninsurable or those who have recently lost insurance after losing a job. Our analysis points to a number of challenges for designing effective incremental expansions.*

- No one approach is likely to solve most of the problems; a combination of policies is likely to be necessary.

Policies to make existing employer-based coverage more affordable would apply to only about 20 percent of the uninsured. Policies to encourage more employers to offer coverage would potentially benefit only about 25 percent of the uninsured. Policies to help those in job transitions may benefit some uninsured, unemployed individuals, but they account for only about one-quarter of the uninsured population. Finally, public programs to provide coverage at no cost are likely to be necessary to reach the poorest of the uninsured—more than one-third of the uninsured have incomes below the federal poverty level.

- Effective targeting is a challenge in designing policies to expand the employment-based system.

One-fifth of the uninsured do not participate in offered employer-sponsored insurance programs, but only a very small minority of employees, even among low-income people who are offered coverage, fail to participate. Thus policies to increase take-up may benefit a large number of the currently insured, as well as the uninsured. Similarly, although businesses with primarily low-wage workers are much less likely to offer coverage than other businesses, still more than half of the former do offer coverage. Thus, policies to encourage employers of low-wage workers to offer coverage may benefit many employers who already offer insurance as a benefit. Policies that benefit the currently insured as well as those uninsured will cost more, but such policies would be more equitable as they would treat equally those in similar economic circumstances. Conversely, not all low-wage workers are in low-wage businesses, so these low-wage workers would not benefit from policies that were directed to workers of low-wage employers only.

- Substantial premium subsidies are likely to be necessary for the success of any approach.

We found that price appeared to be a factor in employee decisions not to enroll in employer plans, especially for dependents, and that price appears to be a deterrent to employers offering coverage.

However, quite substantial differences in price have only modest effects on take-up and offer rates. Similarly, large differences in price for coverage resulting from the tax treatment of insurance for the self-employed have only modest effects on insurance rates for the self-employed. Moreover, even with a 50 percent subsidy of premiums for available coverage, about 40 percent of the uninsured would not have access to affordable public or private coverage.

- Expanded public program eligibility is likely to be necessary to close the gaps in coverage—especially, expansions in family coverage and for childless adults.

The insurance status of the parent is a key predictor in the insurance status of children; most uninsured children have uninsured parents. Policies to extend eligibility for public programs to parents may therefore be key to reducing the number of uninsured children. The largest group of the uninsured, childless adults, are currently ineligible for most public programs in the state.

- Administrative simplification, outreach, marketing, and other policy changes may be necessary to reach the uninsured through public programs.

Not all eligible individuals participate in public programs. Our analysis suggests that a large share of people may not be aware of existing programs. Other program features that make it difficult to access programs also may need to be redesigned to reach a goal of full coverage. Further research is needed to better understand these barriers.

- The uninsured population is best described as a flow rather than as a static pool. The changing nature of the uninsured populations poses a large number of challenges for effective policy design.

Our analysis has focused on the uninsured at a point in time, but many people move in and out of being uninsured. About 70 percent more people are uninsured at some time during the course of a year than are uninsured at a point in time. Many of these will have short-term gaps in insurance. However, the uninsured population at a point in time consists primarily of a large number of individuals who are chronically uninsured—about 75 percent will have been uninsured for one year or more. Thus, our analysis can say little about the special policy design issues associated with reaching those who have shorter episodes of insurance—such as issues of timing or the changes in circumstances that lead to these short spells. Analysis of this topic requires further research and longitudinal data.